



Agenda Report

January 10, 2022

TO: Honorable Mayor and City Council/Deferred Compensation Plan Trustees
THROUGH: Finance Committee
FROM: Department of Finance
**SUBJECT: APPROVAL TO AMEND THE CITY'S 457(B) DEFERRED
COMPENSATION PLAN TO ALLOW FOR IN-PLAN ROTH CONVERSIONS**

RECOMMENDATION:

It is recommended that the City Council/Deferred Compensation Plan Trustees:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Authorize the Finance Director/Plan Administrator to sign the necessary election form documents with Empower Retirement to allow In-Plan Roth Conversions in the City's 457(b) Deferred Compensation Plan.

BACKGROUND:

In August and November 2021, the City's Deferred Compensation Trust Administration Committee met to review a proposed amendment to the City's Deferred Compensation Plan. The proposed amendment will allow plan participants to complete In-Plan Roth Conversions.

Employee and employer contributions to the City's 457(b) Deferred Compensation Plan can be made on a pre-tax basis or a post-tax basis. Post-tax basis contributions are called Roth contributions and allow the participant to earn investment income on the Roth contributions and withdraw them when eligible without paying taxes on the investment earnings.

In-Plan Roth Conversions allow a plan participant to convert pre-tax funds to Roth funds and pay the taxes during the calendar year of the conversion, rather than at the time of withdrawal. While Roth conversions are not expected to occur often, they can be part of

a comprehensive retirement income strategy to reduce tax liability in retirement. There is no tax liability to the City nor any risk to the City by approving this plan amendment.

The Deferred Compensation Trust Administration Committee approved the change to allow In-Plan Roth Conversions unanimously at their November 2, 2021 meeting.

ENVIRONMENTAL ANALYSIS:

The proposed modification of the City's 457(b) Deferred Compensation Plan is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

There is no fiscal impact to the City by the proposed action.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance/Plan Administrator
Department of Finance

Approved by:



CYNTHIA J. KURTZ
Interim City Manager